MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question. Please answer all questions on a scantron.

1) A very large number of small sellers who sell identical products imply
   A) a downward sloping demand for each seller’s product.
   B) a multitude of vastly different selling prices.
   C) the inability of one seller to influence price.
   D) chaos in the market.

2) Refer to Figure 9–2. The Bobsey twins, Laurel and Hardy, both enjoy watching romantic comedies and science fiction movies. Based on the diagrams above what can you conclude about their movie preferences?
   A) The diagrams do not provide any information about relative preferences.
   B) Laurel enjoys science fiction movies more than Hardy.
   C) Laurel enjoys romantic comedies more than Hardy.
   D) They have identical movie preferences.

3) The marginal product of labor is defined as
   A) the additional number of workers required to produce one more unit of output.
   B) the additional sales revenue that results when one more worker is hired.
   C) the cost of hiring one more worker.
   D) the additional output that results when one more worker is hired, holding all other resources constant.

4) Economic costs of production differ from accounting costs in that
   A) accounting costs include expenditures for hired resources while economic costs do not.
   B) accounting costs are always larger than economic cost.
   C) economic costs include expenditures for hired resources while accounting costs do not.
   D) economic costs add the opportunity costs of a firm using its own resources while accounting costs do not.
5) When there are few close substitutes available for a good, demand tends to be
A) perfectly inelastic.  B) relatively elastic.
C) relatively inelastic.  D) perfectly elastic.

6) Refer to Figure 11-1. If the firm is producing 700 units,
A) it should cut back its output to maximize profit.
B) it should increase its output to maximize profit.
C) it is making a loss.
D) it is making a profit.

7) The demand for all carbonated beverages is likely to be ________ the demand for Dr. Pepper.
A) perfectly inelastic compared to  B) more elastic than
C) perfectly elastic compared to  D) less elastic than

8) Economists assume that the goal of consumers is to
A) consume as much as possible.  B) expend all their income.
C) make themselves as well off as possible.  D) do as little work as possible to survive.
9) **Refer to Figure 6-1.** A perfectly elastic demand curve is shown in
   A) Panel A.       B) Panel B.       C) Panel C.       D) Panel D.

10) **Refer to Figure 6-1.** A perfectly inelastic demand curve is shown in
    A) Panel A.       B) Panel B.       C) Panel C.       D) Panel D.

11) Which of the following is likely to occur as the result of the law of diminishing marginal utility?
    A) Hudson enjoyed his second slice of pizza more than his first.
    B) Wesley enjoyed his second bottle of iced tea less than his first bottle, other things constant.
    C) Petra’s utility from her second apple was less than her satisfaction from her first orange.
    D) Sabines’ utility from her first granola bar is greater than Rachel’s utility from her second granola bar.

12) If the market price is $25 in a perfectly competitive market, the marginal revenue from selling the fifth unit is
13) If a consumer receives 20 units of utility from consuming two candy bars, and 25 units of utility from consuming three candy bars, the marginal utility of the third candy bar is
   A) 25 utility units.  
   B) 20 utility units.  
   C) 5 utility units.  
   D) unknown as more information is needed to determine the answer.

14) Refer to Figure 11-5. The total cost at the profit-maximizing output level equals
   A) $4,800.  
   B) $3,300.  
   C) $2,500.  
   D) $1,800.

15) Refer to Figure 11-5. At the profit-maximizing output level, the firm earns
   A) zero economic profit.  
   B) a profit of $600.  
   C) a profit of $1,200.  
   D) a profit of $2,700.

16) Refer to Figure 11-5. Total revenue at the profit-maximizing level of output is
   A) $1,200.  
   B) $2,500.  
   C) $4,800.  
   D) $6,000.

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<th>Variable Cost (dollars)</th>
<th>Total Cost (dollars)</th>
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Table 10-2 shows cost data for Lotus Lanterns, a producer of whimsical night lights.

17) Refer to Table 10-2. What is the average total cost of production when the firm produces 120 lanterns?
   A) $1,680  
   B) $72  
   C) $14  
   D) $12.3
18) Refer to Table 10–2. What is the marginal cost per unit of production when the firm produces 100 lanterns?
   A) $420   B) $32   C) $11.1   D) $8.1

19) Refer to Table 10–2. What is the variable cost of production when the firm produces 115 lanterns?
   A) $1,556   B) $1,157   C) $956   D) $10.05

20) The law of diminishing marginal returns
   A) explains why the average total cost and marginal cost curves are U-shaped in the short run.
   B) causes average total costs to rise at a decreasing rate as output increases.
   C) causes the difference between average total cost and average variable cost to get smaller as output increases.
   D) explains why the average total cost, average fixed cost and the marginal cost curves are U-shaped in the short run.

21) If, when you consume another piece of candy, your marginal utility is zero, then
   A) you have not yet reached the point of diminishing marginal utility.
   B) you should consume less candy.
   C) you want more candy.
   D) you have maximized your total utility from consuming candy.

22) If, when a firm doubles all its inputs, its average cost of production decreases, then production displays
   A) diminishing returns.   B) declining fixed costs.
   C) diseconomies of scale.   D) economies of scale.
23) Refer to Figure 9-4. Suppose the price of pizza increases while the price of hamburger remains constant. Then, the consumer’s
A) indifference curve becomes straighter.
B) budget constraint moves inward toward the origin on the pizza axis while the hamburger intercept remains the same.
C) indifference curve becomes more concave away from the origin.
D) budget constraint moves outward away from the origin on the pizza axis while the hamburger intercept remains the same.

24) Refer to Figure 9-4. The consumer can afford consumption bundles
A) r, s, t and u.
B) s, v, t and u.
C) s, v and u only.
D) r, s, v and u.

25) Refer to Figure 9-4. Which of the following statements is true?
A) The consumer gets less utility from bundle w than from bundle v.
B) Bundles r and w are not affordable.
C) The consumer gets more utility from bundle r than from bundle v.
D) Bundles r, s, t and u all cost the same.
Refer to Figure 10-1. The marginal product of the 3rd worker is

Refer to Figure 10-1. The average product of the 4th worker
A) is 68.  B) is 17.  C) is 11.  D) cannot be determined.

Refer to Figure 10-1. The marginal product of the 7th worker is

A characteristic of the long run is
A) all inputs can be varied.  B) there are fixed inputs.
C) plant capacity cannot be increased or decreased.  D) there are both fixed and variable inputs.

Jaycee Jeans sold 40 pairs of jeans at a price of $40. When it lowered its price to $20, the quantity sold increased to 60 pairs. Calculate the absolute value of the price elasticity of demand. Use the midpoint formula.
A) 1.67  B) 1.0  C) 0.6  D) 0.53

Price elasticity of demand measures
A) how responsive sales are to changes in the price of a related good.
B) how responsive quantity demanded is to a change in price.
C) how responsive sales are to a change in buyers' incomes.
D) how responsive suppliers are to price changes.

If a producer is not able to expand its plant capacity immediately, it is
A) losing money.  B) operating in the short run.
C) bankrupt.  D) operating in the long run.
33) Which of the following is not a characteristic of a perfectly competitive market structure?
   A) All firms sell identical products.
   B) There are no restrictions to entry by new firms.
   C) There are a very large number of firms that are small compared to the market.
   D) There are restrictions on exit of firms.

34) If the demand for a life-saving drug was perfectly inelastic and the price doubled, the quantity demanded would
   A) be cut in half.
   B) remain constant.
   C) also double.
   D) decrease by 50%.

35) The long-run average cost curve shows
   A) the plant size or scale that the firm should build.
   B) the average cost of producing where diminishing returns are not present.
   C) the lowest average cost of producing every level of output in the long run.
   D) where the most profitable level of output occurs.

36) If the percentage increase in price is 15 percent and the value of the price elasticity of demand is -3, then quantity demanded
   A) will decrease by 5 percent.
   B) will increase by 5 percent.
   C) will decrease by 45 percent.
   D) will increase by 45 percent.

37) If, for a given output level, a perfectly competitive firm's price is less than its average variable cost, the firm
   A) should shut down.
   B) should increase price.
   C) is earning a profit.
   D) should increase output.

38) The perfectly competitive market structure benefits consumers because
   A) firms produce high quality goods at low prices.
   B) firms are forced by competitive pressure to be as efficient as possible.
   C) firms do not produce goods at the lowest possible price in the long run.
   D) firms add a much smaller markup over average cost than firms in any other type of market structure.

39) The price of a seller's product in perfect competition is determined by
   A) the individual demander.
   B) market demand and market supply.
   C) a few of the sellers.
   D) the individual seller.
Table 11-1 shows the short-run cost data of a perfectly competitive firm that produces plastic camera cases. Assume that output can only be increased in batches of 100 units.

40) Refer to Table 11-1. What is the fixed cost of production?

A) $0  
B) $500  
C) $1,000  
D) It cannot be determined.
1) C
2) C
3) D
4) D
5) C
6) A
7) D
8) C
9) B
10) A
11) B
12) C
13) C
14) B
15) D
16) D
17) C
18) B
19) B
20) A
21) D
22) D
23) B
24) B
25) B
26) C
27) B
28) D
29) A
30) C
31) B
32) B
33) D
34) B
35) C
36) C
37) A
38) B
39) B
40) C